

The Director of Central Intelligence  
Washington, D.C. 20505

National Intelligence Council

NIC 01173-85  
6 March 1985

MEMORANDUM FOR: Robert M. Gates  
Deputy Director for Intelligence

FROM: David B. Low  
Acting National Intelligence Officer for Economics

SUBJECT: Status of Response to Admiral Watkin's Request  
for an NIE on the Oil Market (C)

DIA review  
completed.

1. After the DCI approves the Concept Paper and Terms of Reference for SNIE 3-85: "If Oil Prices Decline: Political and Economic Implications" and they are distributed to the Community, General Cooper can review them to see how well they respond to Admiral Watkin's Request for an update on the oil market. The TORs went to the DCI on February 28. (C)

2. As to Watkin's question about the vulnerability of oil supplies to air strikes in the event of a conventional war with the Soviet Union,

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3. [ ] has been in contact with General Cooper by telephone to confirm the above, so no written reply is necessary for the time being. After the DCI approves the TORs for Community review, we can send a courtesy copy to General Cooper directly along with a brief note from you.

25X1



David B. Low

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SECRET

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NIE on the Oil Market**

**NIO/AL/DL**

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**25X1**

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DEFENSE INTELLIGENCE AGENCY  
WASHINGTON, D.C. 20301

6 FEB 1985

DDI- 00762-85

S-7504/DE-4

TO: Mr. Robert M. Gates  
Chairman, National Intelligence Council  
Central Intelligence Agency  
Washington, D.C.

SUBJECT: Request for Update of NIE

1. (S) Admiral James D. Watkins Chief of Naval Operations has requested an update of NIE 3-2-84 "World Oil Market Outlook: Key Political and Economic Dimensions". The request stems from studies submitted to the CNO suggesting a recent change in the oil market outlook. Indications are that at the present time the oil market is the most unstable it has been since late 1979, with OPEC probably no longer capable of exerting much influence.

2. (S) Since the publication of the recent NIE on the "World Oil Market Outlook" there has been a significant downward pressure on the price of oil. Additionally, this NIE does not address itself to the national security concerns expressed by Admiral Watkins. His major concern is the availability of resources, in the event of a conventional war with the Soviet Union, and the vulnerability of major sources of oil to Soviet air strikes. DIA believes that an estimate covering the CNO's concerns would prove highly useful to a wide variety of policy makers as well as defense planners.

4. (S) I would appreciate your giving serious consideration to this request.

FOR THE DIRECTOR:

WILLIAM E. COOPER, JR.  
Major General, U.S. Army  
Deputy Director for Foreign  
Intelligence

Classified by DE  
Declassify on OADR

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